



November 5, 2009

Dear Representatives:

The National Association of Manufacturers (NAM), the nation's largest industrial trade association representing small and large manufacturers in every industrial sector and in all 50 states, urges you to oppose H.R. 3962, the Affordable Health Care for America Act.

The vast majority of American manufacturers, including 97 percent of NAM member companies, voluntarily offer health benefits not only to attract a skilled workforce, but because we believe it is the right thing to do for our employees. Our members support proposals that reduce soaring health costs, improve the efficiency of the current system and enhance the quality of care. Conversely, we oppose proposals that make it more expensive or more difficult for employers to offer health benefits.

Unfortunately, this legislation, as drafted, falls far short of these goals and will drive up manufacturers' health care costs and force many companies to consider abandoning the generous benefits they currently offer. The NAM specifically opposes the following provisions in H.R. 3962:

- **Employer Mandate.** This “pay or play” mandate requires employers to either provide qualified health insurance to their employees and meet minimum contribution requirements or pay a penalty of up to 8 percent of their payroll. The NAM opposes an employer mandate because it would increase costs for employers' plans, forcing some to drop high quality coverage.
- **Public health insurance option.** The NAM opposes a new government-run public option which would shift costs to private plans thus increasing our costs, force private competitors to lower costs by cutting coverage or drive them out of the marketplace completely.
- **Weakening ERISA (the Employee Retirement Income Security Act).** The bill would impose minimum benefit requirements on all employer-sponsored health plans. The NAM supports maintaining the integrity of ERISA plans and opposes new requirements that dictate the design of health plans, thereby limiting flexibility and increasing administrative costs.
- **Revenue Raisers Affecting Manufacturers.**
 - *Surtax.* We adamantly oppose the bill's 5.4 percent surtax on taxpayers' adjusted gross income in excess of \$1 million (married filing jointly) and

\$500,000 (single). The tax is not indexed to inflation – which results in more and more companies falling into the tax over time. Moreover, some 70 percent of U.S. manufacturers file taxes at the individual rate and fall into the higher tax bracket. Adding a surtax onto the individual rates that are already expected to rise, while at the same time limiting deductions and exemptions, will result in rates approaching nearly 50 percent.

- *Industry-specific fees.* The NAM opposes discriminatory tax proposals that single out specific industries to pay for health care reform, including the bill's excise tax on medical devices used in the United States.
- *New Reporting Requirements.* The new requirement that companies file a form 1099 for all purchases over \$600 is extremely onerous – especially for small and medium-sized manufacturers.
- *FSA Limits.* We oppose the limitations on Flexible Spending Accounts (FSAs) – both the statutory limit of \$2,500 and the definition of qualified medical expenses because they limit design flexibility options for manufacturers. Furthermore, the FSA limits are not indexed to inflation, meaning these savings tools will become obsolete over time.

While we oppose this legislation, manufacturers remain committed to working with Congress to achieve health care reform that drives down costs, improves efficiency and improves access to care.

The NAM's Key Vote Advisory Committee has indicated that votes on H.R. 3269, including potential procedural motions, may be considered for designation as Key Manufacturing Votes in the 111th Congress. Thank you for your consideration.

Sincerely,

Jay Timmons
Executive Vice President